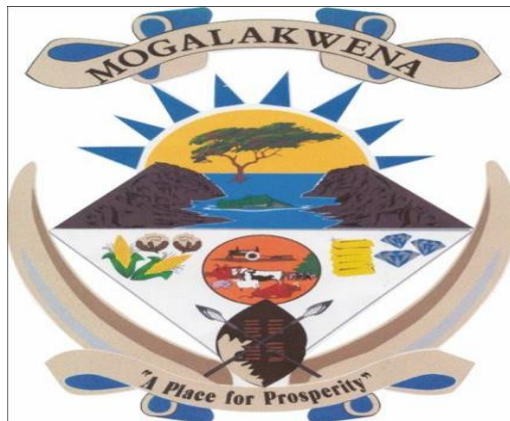


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DRAFT BUDGET OF MOGALAKWENA LOCAL MUNICIPALITY



2017/18 TO 2019/20

DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will present her report separately in the council meeting to be held on 28 March 2017.

The speech will be attached to the minutes of the council meeting.

1.2 Council Resolutions

- The draft budget related resolutions will form part of the budget document after submission of the draft budget to council.
- The acting municipal manager will send the electronic budget documents and the corresponding electronic returns by Monday, 03 April 2017 to National and provincial treasuries by 3 April 2017. The hard copies including council resolution will be submitted by Friday, 07 April 2017.

1.3 Executive Summary

The municipality's priorities and linkages to the Integrated Development Plan

The political priorities of Mogalakwena municipality are as follows:

- Water and Sanitation
- Roads and Storm water
- LED and Unemployment
- Electricity
- Institutional Arrangements
- Refuse and Solid waste management
- Land and Environmental Management
- Housing
- Crime and Prevention
- Health
- Communication
- Education
- Sports, Arts and Culture
- Community Facilities
- Transport

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Mogalakwena is responsible for the provision of the following services to 82 675 households:

- Water and Sanitation
- Roads and Storm water
- Refuse Removal
- Electricity Distribution

The priorities are linked to the draft IDP as outlined in the detailed Capital Investment Programme from 2017/18 to 2019/20.

Key amendments to the Integrated Development Plan

Section 25 of MSA requires that each Municipal Council must adopt a single, inclusive and strategic plan for the development of the municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the municipality.

Section 34 provides that the IDP must be reviewed annually and amended if necessary. It is clear from the budget that stringent budget control must be implemented in order to sustain the viability of the municipality.

Alignment with national, provincial and district priorities

The priorities of Mogalakwena municipality were aligned with that of national, provincial government and the district municipality.

Strategic Objectives:

The following key strategic objectives for the municipality shall provide direction to the planning and implementation process as well as to inform the operations of the municipality:

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OBJECTIVES	OUTCOMES
1. Foster, regulate, maintain and promote a sustainable environment	Improved quality of life and protected natural resources for future generations
2. Improve the quality of life through social development and the provision of effective community services	Developed community
3. Sound and efficient financial management	Sustainable financial viability
4. To create inclusive and well-coordinated investment opportunities for the growth of the economy	Reduced poverty
5. The optimum utilization of land	Coordinated rational regulated and orderly land development and utilization
6. To improve the quality and quantity of municipal infrastructure and services	Enhanced and sustainable socio economic growth
7. To develop and implement integrated management and governance systems	Accountable and good governance – clean audits
8. To ensure that all stakeholders within the institution are adequately capacitated and retained	Competent and productive workforce

Key demographic, economic and other assumptions

Demographic overview

According to the Community Survey 2016, Mogalakwena Municipality contains over 43% of the Waterberg district's population with a total population of 325 291 and 82 675 households. The Africans are in majority (315 814) and constitute approximately 97% of the total Mogalakwena municipality population. The white population is 7222, coloured population is 500 and the Indian/Asian population is 1756. Just over 53% of the population is females. The table below compares municipal demographics per racial group and sex.

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Table 1 : Population by racial group and sex

POPULATION GROUP	MALES		FEMALES		TOTAL		2016 SURVEY
	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF PERSONS	PERCENTAGE OF POPULATION	NUMBER OF TOTAL POPULATION	PERCENTAGE OF TOTAL POPULATION	% OF THE POPULATION IN WATERBERG DISTRICT
Black African	147 791	96.9%	168 024	97.3%	315 814	97.1%	46.4%
White	3 567	2.3%	3 654	2.1%	7 222	2.2%	12.0%
Coloured	314	0.2%	185	0.1%	500	0.2%	22.0%
Indian/Asian	887	0.6%	868	0.5%	1 756	0.5%	65.7%
Total Population	152 559	100%	172 732	100%	325 291	100%	43.6%

Source: StatsSA Community Survey 2016

Interpretation and Implications to the developmental mandate of the Municipality

Figures from the 2016 Community Survey indicate a population increase of 5.7 % (about 17 611) from the situation in 2011. The Municipality renders services to households and therefore adopts the layman's view that the number of households has increased significantly between 2011 and 2016. The increase in the number of households, particularly in the rural areas where there are minimal services has increased backlogs in electricity provision, housing needs, roads, access to water, sanitation needs, etc. There are arbitrary differences in figures with regard to racial groups' representations. Although racial integration is gradually being achieved through some blacks moving from the traditional black towns and rural areas to settle in Mokopane, there is a widening gap between the rich and the poor. Racial segregation is replaced by socio-economic segregation. There is therefore a need to speed up integrated human settlement in order to proactively address resultant social ills (such as crime, and skewed unsustainable development).

Table 2 Population distribution according to age

NUMBER OF RESIDENTS PER AGE GROUP	0 – 4	5 – 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 – 44
	48 845	44 324	36 727	30 040	27 313	23 831	19 055	15 231	14 415
	45 - 49	50 - 54	55 – 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 +
	12 891	11 902	10 137	8 960	7 152	6 004	4 263	2 052	2 149

Source: StatsSA Community Survey 2016

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The majority of the population is aged between 0 and 19 followed by those aged between 20 and 34, which suggests that the municipality is dominated by people who are both socially and economically active. In addition, the municipal area has a high dependency ratio due to the majority of the population aged between 0-19. However, the Municipality has to prioritize social programmes and projects which will be able to address the socio-economic needs of the people. For example, there is a need to increase the number and improve the quality of social amenities in the municipal area, preferably within the municipal growth points. There is also a high probability of the spread of sexually transmitted diseases, such as HIV/AIDS. The Municipality should therefore encourage and support HIV/AIDS programmes in at least all the nodal points. Attention should also be paid to local economic development initiatives in these population concentration points.

The StatsSA Community Census was unable to provide economic data on employment and income statistic, therefore we have utilized the 2011 Census data for these tables.

Number of residents per income type	No income		R1 - R400		R401 - R800		R801 - R1 600		R1 601 - R3 200		R3 201 - R6 400	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 028	132 367	7 158	83 069	8 135	8 658	7 240	41 578	6 146	10 729	4 958	7 126
	R6 401 - R12 800		R12 801 - R25 600		R25 601 - R51 200		R51 201 - R102 400		R102 401 - R204 800		R204 801 or more	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
	1 711	6 538	466	1 771	144	175	65	149	18	85	11	328

Source: StatsSA Census 2001 & 2011

Economic overview

Table 3: Employment Status, 2001 vs. 2011

GENDER	EMPLOYED		UNEMPLOYED		NOT ECONOMICALLY ACTIVE	
	2001	2011	2001	2011	2001	2011
FEMALE	16 345	21 358	19 172	17 833	56 353	59 600
MALE	20 744	25 679	14 526	13 777	37 919	51 396

Source: StatsSA Census 2001 & 2011

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One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 40.2% of the economically active Fpopulation (people between the ages of 15 and 64 years). Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors only offer a temporary solution to the problem.

Other assumptions

NERSA has issued a proposal indicating an average increase of 1.88% on electricity for the 2017/2018 financial year. The implementation of the tariff is subject to final confirmation of the percentage by NERSA.

The tariff increase for water is based on a 8.5% projection by Lepelle-Northern Water. This proposal is subject to confirmation from Lepelle Northern Water.

Progress with provision of basic services

Access to services

Service	No of households having services	Backlog
Water (RDP level)	70 344	12 331
Electricity	81 789	886
Refuse removal	32 305	50 370
Sanitation	42 911	39 764

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Indigent welfare packages for 2017/18:

Package Indigent	Compilation for	16/17 R(Vat included)	17/18 R(Vat included)
Rates – R100 000 Valuation		43.12	45.71
Refuse (up to 500 m2)		52.74	55.90
Sewage (up to 500 m2)		28.78	30.51
Electricity – 50kwh		42.00	42.79
Water – 6kl		79.03	85.75
Total indigent package per month		245.67	260.66

Free and subsidized services provided to the following number of households:

Water	3 006
Electricity	3 006
Sanitation	3 006
Refuse Removal	3 006
Rural Sanitation	0
Rates	3 006

It should be noted that only indigents received 50kwh of free basic electricity. Due to financial constraints, the status quo will remain as such in the 2017/18 financial year.

Service charges and other fees and charges

Service	% increase
Water	8.5
Electricity	1.88
Refuse removal	6
Property rate	6
Sewerage	6

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The effect of the annual budget

The demand on the municipality in terms of service delivery continues to grow and this results in an ever-increasing outflow on the resources at the disposal of the municipality. The following factors will continue to constraints on the municipality's 2017/2018 budget:

- The municipality has budgeted for a 7.1% increase in employee salaries.
- R25 830 000 has been budgeted for the implementation of job evaluation results currently being conducted by SALGA. However the amount budgeted may not be sufficient since it must be taken into account that the implementation of job evaluation will be effective from March 2016.
- Excessive water and electricity losses put a burden on the municipality as its revenue that is uncollectable.
- A revenue enhancement strategy needs to be developed to increase the revenue generation capacity of the municipality.

The following table is a summary of the total budget:

	2017/2018	2018/2019	2019/2020
Total income	-1 252 730 353	-1 338 360 436	-1 434 464 939
Total operating expenditure	884 245 474	938 364 293	991 723 449
Operating surplus	-368 484 879	-399 996 143	-442 741 490
Changes in net assets	368 484 879	399 996 143	442 741 490
Closing (Surplus) /Deficit	0	0	0

Past performance and impact of the previous year's audited results and annual report

Mogalakwena Municipality obtained an adverse audit opinion in the 2015/2016 financial year. Major issue that led to the unfavourable audit opinion are:

- Property Plant & Equipment
- Revenue from non-exchange transactions
- Revenue from exchange transactions
- Expenditure
- Irregular expenditure
- Statement of comparison of budget and actual amounts
- Commitments
- Prior year adjustment
- Aggregation of immaterial uncorrected misstatements

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An audit action plan was drafted to address issues raised by the Auditor General and the queries are currently being addressed. This is done with the aim of ensuring that the municipality improves its audit opinion in the 2016/2017 audit.

Consolidated financial position and summary medium term revenue and expenditure strategy

The sustainability of the municipality will be adversely affected in the long-term if debt collection is not improved. The municipality invests a lot of its reserves in critical infrastructure capital projects and therefore many other capital and operational needs cannot be funded. The contract of the companies appointed for debt collection has expired and a request has been submitted to the Municipal Manager to extend them for a further three months. The municipality will have to advertise for debt collectors once the extension period lapses. A slight improvement has been noted since the appointment of the debt collectors. However the collection rate could have been better if it were not for the labour unrest experienced in the previous financial year.

1.4 Operating Revenue Framework

1.4.1 Grant allocations

The Division of Revenue Bill allocations to Mogalakwena Municipality for the 2016/2017 to 2018/2019 financial years are as follows:

Grant allocations over the MTREF

Grant type	2017/2018	2018/2019	2019/2020
	(R'000)	(R'000)	(R'000)
Equitable Share	369 653	394 585	415 836
Finance Management Grant	1 700	1 955	1 955
Municipal Infrastructure Grant	159 266	168 829	178 921
Water Service Infrastructure Grant	50 000	60 000	70 000
Municipal Systems Improvement Grant	788	0	0
Regional Bulk Infrastructure Grant	150 000	160 000	183 558
Integrated National Electrification Grant	13 000	15 000	15 000
EPWP	1 093	0	0
Total Grant Funding	745 500	800 369	865 270

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The Municipal Systems Improvement Grant is allocated as an indirect grant to Mogalakwena Municipality.

Supporting **Table SA 18, 19 and 20** is attached as pages 312 to 314.

1.4.2 Summary of Operating Income

The following table gives a breakdown of the income categories for the 2017/18 to 2019/20 financial years:

Description	Medium-Term Revenue & Expenditure Framework		
	2017/18	2018/19	2019/20
Operating Income			
Property rates	73 200 641	77 519 479	82 015 609
Sale of electricity	243 068 165	257 409 187	272 338 920
Sale of water	70 086 335	74 221 429	78 526 271
Sewerage	25 790 604	27 312 250	28 896 360
Refuse	15 056 061	15 944 368	16 869 142
Rent facilities and equipment	1 215 243	1 286 942	1 361 585
Interest earned – external investments	39 017 305	41 319 326	43 715 847
Interest earned – outstanding debtors	3 149 162	3 334 962	3 528 390
Dividends received	-	-	-
Fines	5 830 782	6 174 798	6 532 937
Licenses and permits	27 765	29 403	31 109
Income for agency	9 409 411	9 964 566	10 542 511
Operating grants and subsidies	385 151 881	410 124 128	432 789 193
Capital grants and subsidies	367 666 000	398 829 000	441 562 814
Other income	5 307 899	5 621 065	5 947 086
Public contributions and donations	-	-	-
Profit on sale of land	8 753 100	9 269 533	9 807 166
Total Operating Income	1 252 730 353	1 338 360 436	1 434 464 939

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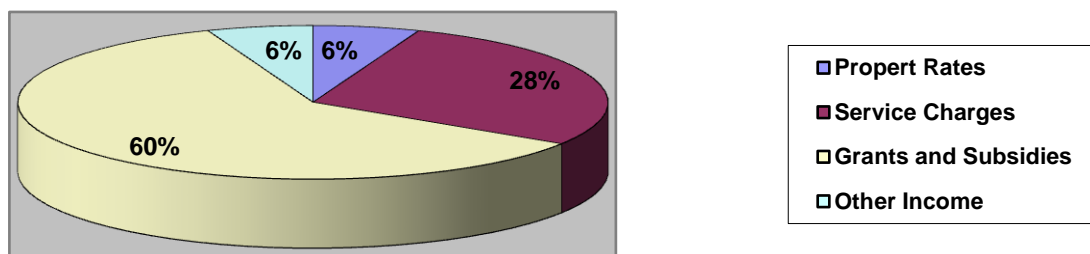


Figure 1 -Main Operational Income Categories

1.4.3 Rates tariffs and other charges

Proposed tariff increases for the 2017/18 to 2019/20 financial years with prior comparatives are the following:

Description	2016/17	2017/18	2018/19	2019/20
Rates	6%	6%	6%	6%
Refuse	6%	6%	6%	6%
Sewerage	6%	6%	6%	6%
Water	8%	8.5%	8.5%	8.5%
Electricity	7.64%	1.88%	9%	9%
Average Increase	6.72%	5.67%	7.10%	7.10%

- The electricity tariff increase for the 2017/18 as per the proposal from NERSA is 1.88%. The municipality is still awaiting a letter from NERSA confirming the tariff.
- The proposed water tariff increase for the 2017/18 as per the Lepelle-Northern Water is 8.5%. The municipality is still awaiting a letter from Lepelle-Northern Water confirming the tariff.

14.3.1 Water tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of water supply for 2017/18 financial year:

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- The Lepelle Northern Water (LNW) has proposed to increase their tariffs by 8.5% in 2017/18 financial year.
- The LNW 8.5% increase on its bulk tariff from 6.22c to 6.75c per kl (excluding VAT and the Water Research commission levy).
- It is estimated that water to the amount of R33 830 157 will be purchased from LNW and other service providers in 2017/2018 financial year.

A total revenue of R 70 086 335 is expected from water sales.

- The budgeted revenue is based on connection fees, defaulting fees, monthly consumption of water and testing of meters;
- Households will receive 6kl of free basic water;
- Consumers in villages will receive Free Basic Water through assistance from council to pay Eskom, repair broken boreholes and pay pump operators.

The following recommended tariff structure for water for 2017/18 compared to 2016/17:

Type Consumer	Type Scale	Intervals	16/17	17/18
			Per Kilolitre Vat Inclusive	Per Kilolitre Vat Inclusive
Domestic:	Gliding scale	00 – 6 kl	0.00	0.00
		6 – 10 kl	12.87	13.96
		11 – 50 kl	13.66	14.82
		51 – 100 kl	16.43	17.83
		101 > kl	27.35	29.67
Businesses:	Normal		13.66	14.82
Flats:	Normal		13.66	14.82
Industrial:	Normal		13.66	14.82
Provincial Hospitals	Normal		12.87	13.96

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Schools Churches Hostels Sport clubs	Normal		13.66	14.82
Departmental	Normal		13.66	14.82
Defaulting	Normal		-	-

The abovementioned tariffs are subject to a 20% discount for unpurified borehole water as drinking water supplied to Rebone Township.

Prepaid water tariffs will be calculated when pre-paid meters are installed.

Examples of monthly water consumption charges:

Consumption KL	Current monthly account	Proposed monthly account	Additional amount payable	Increase
	R	R	R	R
6	0	0	0	0
10	51.49	55.87	4.38	8.5%
42	488.68	530.22	41.54	8.5%
75	1 008.64	1 094.37	85.73	8.5%
110	1 528.50	1 658.42	129.92	8.5%

1.4.3.2 Sewage tariff

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of sewage for 2017/18:

- A tariff increase of 6% is included in the final 2017/18 MTREF
- The free basic sanitation is provided for indigents only

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The following recommended tariff structure for sewage for 2017/18 compared to 2016/17

		16/17		17/18	
TYPE CONSUMER	SIZE OF ERF	BASIC vat inclusive	ADD-ITIONAL vat inclusive	BASIC vat inclusive	ADD-ITIONAL vat inclusive
1.	Residential	0-500	28.77	30.50	
	Houses	501-1000	57.71	61.17	
		1001-1500	92.21	97.74	
		1501-2000	103.78	110.01	
		2001-2500	115.31	122.23	
		2501-3000	126.83	134.44	
		First 3000 Every additional 500	11.52	12.21	
2.	Churches	0-500	28.77	24.38	25.84
	Hospitals	501-1000	57.74	24.38	25.84
	Creches	1001-1500	92.21	24.38	25.84
	Schools	1501-2000	103.78	24.38	25.84
	Sport clubs	2001-2500	115.31	24.38	25.84
		2501-3000	126.83	24.38	25.84
		First 3000 Every additional 500	11.52	24.38	25.84
3.	Other:				
	3.1 Businesses	Irrespective	305.52	77.80	82.47
	3.2 Industrial	Irrespective	305.52	77.80	82.47
	3.3 Flats	Irrespective	305.52	83.48	88.48
	3.4 Hostels	Irrespective	305.52	59.49	63.06
	3.5 Boarding house	Irrespective	305.52	59.49	63.06
	3.6 Departmental	Irrespective	305.52	77.80	82.47

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Examples of sewerage tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	28.77	30.50	1.73	6
1600	103.78	110.00	6.22	6
3500	138.35	146.65	8.30	6
Business	305.52	323.85	18.33	6

1.4.3.3 Refuse Removal

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of refuse removal for 2017/18:

The following recommended tariff structure for refuse removal for 2017/18 compared to 2016/17 financial year:

		16/17		17/18	
TYPE CONSUMER	SIZE OF ERF	BASIC vat inclusive	ADD- ITIONAL vat inclusive	BASIC vat inclusive	ADD- ITIONAL vat inclusive
Domestic	Residential houses	0-500	52.74	55.98	
	Churches	501-1000	77.08	81.70	
	Church halls	1001-1500	105.19	111.50	
	Residential erven which are being build on	1501-Above	113.35	120.15	
		Per	Bulk	Per	Bulk
		Container	Container	Container	Container
Commercial	Businesses	Irrespective	202.24	214.37	1,429.76
	Industrial	Irrespective	202.24	214.37	1,429.76
Other	Municipality	Irrespective	105.19	111.50	1,429.76
	Flats	Irrespective	105.19	111.50	1,429.76
	Old Age Homes	Irrespective	105.19	111.50	1,429.76
	Hostels	Irrespective	105.19	111.50	1,429.76

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	Boarding houses	Irrespective	105.19	1,348.83	111.50	1,429.76
	Schools	Irrespective	105.19	1,348.83	111.50	1,429.76
	Hospitals	Irrespective	105.19	1,348.83	111.50	1,429.76
	Government	Irrespective	105.19	1,348.83	111.50	1,429.76
	Sport Organisations	Irrespective	105.19	1,348.83	111.50	1,429.76
	Charity Organisations	Irrespective	105.19	1,348.83	111.50	1,429.76
	Other	Irrespective	105.19	1,348.83	111.50	1,429.76
Bulk	Per load or part thereof		433.15		459.14	

Example of monthly refuse tariff

Size of erf	Current monthly	Proposed monthly	Additional amount	Increase
m2	Account	Account	Payable	
	R	R	R	%
500	52.74	55.90	3.16	6
950	77.80	82.47	4.67	6
1200	105.19	111.50	6.31	6
1550	113.35	120.15	6.80	6
Business	202.24	214.37	12.13	6

1.4.3.4 Property Rate Tariff

Property rates are mainly used to provide funds for non-remunerative services such as the cost of governance and administration of council, financial services, sport and recreation facilities. These funds also pay for the costs of maintaining an orderly community, for an example, as far as traffic, safety, trade, industries, health, roads and parks are concerned.

Depending on circumstances at a given moment, a rate payer may make use of these collective services to a greater or lesser degree. Given this kind of collective service, the provision must be financed by a general tax unlike the specific charge of measurable services such as water and electricity.

Annexure to MFMA Circular 51 as well as Government Gazette 33016, also known as the “*Amended Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Properties*” were published to achieve national uniformity regarding property taxes.

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Two factors determine the amount that the property owner must pay to a local authority for assessment rates: Firstly, the assessed value of the property and secondly, the effective assessment rate. Due to the implementation of the MPRA a new tariff structure has been formulated. The calculation is based on the market value of the property.

The applicable tariff on 1 July 2017 is 0,010756c (residential) (1 July 2016 – 0,010147c) and 0,021715c (1 July 2016 – 0,020486c) (business, commercial, industrial and mining) and 0,002689c (1 July 2016 – 0,002537c) (agriculture, state owned property excluding residential, public service infrastructure, public benefit organization property) in the Rand.

The table below reflects assessment rates compared to total expenditure:

Year	Operating Budget ('000)	Rates ('000)	%
2016/2017	848 803	59 966	7.06%
2017/2018	884 245	73 201	8.28%
2018/2019	938 364	77 519	8.26%
2019/2020	991 723	82 016	8.27%

The following recommended tariff structure for Property Tax for 2017/18 compared to 2016/17 financial year:

TYPE	TARIFF CODE	16/17		17/18	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1.Improved residential stands	VA771	0.010147	40.00	0.010756	40.00
2. Improved business stands	VA772	0.020486	0.00	0.021715	0.00
3. Pensioners as rate policy	VAIND	0.010147	100.00	0.010756	100.00
4. Pensioners as rate policy	VAIND	0.010147	100.00	0.010756	100.00
5. State owned properties	VA775	0.002537	30.00	0.002689	30.00
6. Improved flats	VA776	0.010147	40.00	0.010756	40.00
7. Developed erven industrial	VA777	0.020486	0.00	0.021715	0.00
8. Undeveloped erven	VA778	0.020486	0.00	0.021715	0.00
9. Municipality	VA779	0.000000	0.00	0.000000	0.00
10. Undeveloped business erven	VA780	0.020486	0.00	0.021715	0.00
11. Permission to do business on residential erven	VA781	0.020486	0.00	0.021715	0.00
12. Undeveloped industrial	VA782	0.020486	0.00	0.021715	0.00
13. Undeveloped flat erven	VA783	0.020486	0.00	0.021715	0.00
14. Private parks	VA788	0.002537	0.00	0.002689	0.00
15. Private streets	VA789	0.002537	0.00	0.002689	0.00
16. Agricultural fields (Macalacaskop)	VA790	0.002537	0.00	0.002689	0.00
17. Welfare organizations, Hospitals, Clinics etc	VA791	0.002537	100.00	0.002689	100.00

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Agricultural

TYPE	TARIFF CODE	16/17		17/18	
		CENT IN RAND	% DISCOUNT	CENT IN RAND	% DISCOUNT
1. Residential	VA5771	0.002537	0.00	0.002689	0.00
2. Business, Commercial, Ecotourism, game hunting	VA5772	0.002537	0.00	0.002689	0.00
3. Pensioners as rate policy	VA5773	0.002537	100.00	0.002689	100.00
4. Pensioners as rate policy	VA5774	0.002537	100.00	0.002689	100.00
5. State owned properties	VA5775	0.002537	0.00	0.002689	0.00
6. Industrial, agricultural holdings	VA5776	0.002537	0.00	0.002689	0.00
7. Undeveloped	VA5777	0.002537	0.00	0.002689	0.00
8. Municipality	VA5778	0.000000	0.00	0.000000	0.00
9. Mining	VA5779	0.020486	0.00	0.021715	0.00
10. Welfare organization, Hospitals, Clinics etc	VA5780	0.002537	100.00	0.002689	100.00

1.5 Operating Expenditure Framework

The following table gives a breakdown of the expenditure categories for the 2017/18 financial year:

Description	Medium-Term Revenue & Expenditure Framework		
	2017/18	2018/19	2019/20
Operating Expenditure			
Employee related costs	285,930,822	305,620,026	325,847,196
Remuneration of councilors	22,035,105	23,463,100	24,999,609
Bad debts	39,784,000	42,243,356	44,693,471
Collection costs	196,950	208,570	220,667
Depreciation	93,743,910	108,133,601	124,732,109
Repairs and maintenance	41 542 287	69,254,982	69 844 947
Interest paid	-	-	-
Bulk purchases – Electricity	170,535,167	178,596,742	183,071,353

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Bulk purchases – Water	33,830,157	35,826,137	35,904,052
Contracted services	84 698 269	58,966,787	60,031,064
Grants and subsidies paid	1,214,400.00	1,286,050.00	1,360,640.00
General expenditure	80,115,163.00	82,585,153.00	86,874,775.00
New connections	1,894,825	2,006,620	2,123,004
Free basic electricity	5,236,460	5,545,411	5,867,045
Free basic water	19,620,311	20,777,909	21,983,030
Free basic refuse - Indigents	1,393,567	1,475,788	1,561,383
Free basic sewerage - Indigents	708,246	750,033	793,535
Free basic assessment rates	1,958,098	2,073,625	2,193,896
Total Operating Expenditure (Nett)	884,437,737	938,820,890	992,101,776

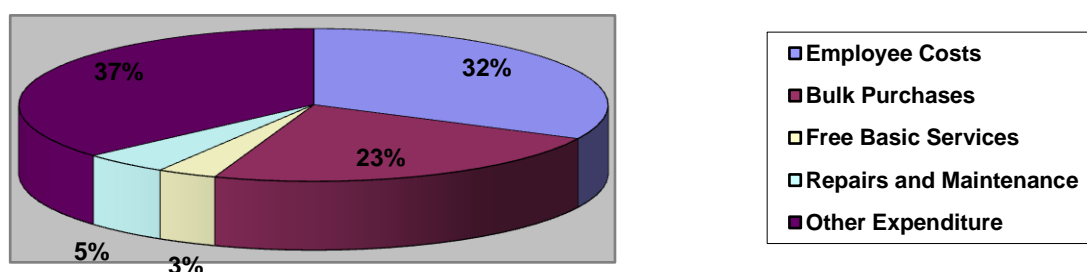


Figure 2 -Main Operational Expenditure Categories

- Mogalakwena municipality has allocated R 41 542 287 towards Repairs and maintenance. Due to budget constraints the municipality could not allocate the required 10% of Property Plant and Equipment that is required by National Treasury.
- The municipality needs to increase its revenue generation in order to adequately fund its operational requirements, in line with National Treasury directives.

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1.6 Capital Expenditure

A breakdown of the capital expenditure for the 2017/18 financial year is attached as pages 425 to 440.

1.7 Annual Budget Tables

The Annual Budget Tables:

Table A1	Budget summary – (attached as <u>page 263</u>).
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification) – (attached as <u>pages 264 to 267</u>).
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote) - (attached as <u>pages 268 to 271</u>).
Table A4	Budgeted Financial Performance (revenue and expenditure) - (attached as <u>page 272</u>).
Table A5	Budgeted Capital Expenditure by vote, standard classification and Funding - (attached as <u>pages 273 to 276</u>).
Table A6	Budgeted Financial Position - (attached as <u>page 277</u>).
Table A7	Budgeted Cash Flows - (attached as <u>page 278</u>).
Table A8	Cash backed reserves/ accumulated surplus reconciliation - (attached as <u>page 279</u>).
Table A9	Asset Management - (attached as <u>pages 280 to 282</u>).
Table A10	Basic service delivery measurement - (attached as <u>page 283</u>).

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Budget Related Charts and Explanatory Notes:

Supporting information, charts and explanations of trends and anomalies for each table are reflected as **table SA1 – SA 38** (attached as pages 284 to 353).

Part 2 – Supporting Documentation

2.1 Overview of Annual Budget Process

2.1.1 In undertaking its annual budget process, Mogalakwena Municipality was guided by the following key legislation and documents:

- Municipal Finance Management Act;
- Municipal Systems Act;
- MFMA Circular 55, 58, 59, 66, 67, Annexure to Circular 67, 70, 72, 74, 78, 82, 85 & 86
- National Treasury instruction 1 of 2013/2014
- Government Gazette 39707 of 18 February 2016

The municipality is always conscious of the fact that the IDP, Budget and other consultative processes have to be undertaken with credibility and honesty in order to ensure good governance and accountability. The Municipality engaged its various stakeholders in preparing this 2017/18 MTREF budget, including:

- Communities in all 32 wards
- Sector departments
- Private Sector
- Traditional Leaders
- Ward and PR councillors
- Community based organizations
- NGO's
- Disabled people's groups, women, youth and pensioners.
- Community Development Workers
- Mining Sector

From these community participation and consultation process, the municipality identified and prioritized the needs of the communities. The priorities were later allocated weights and an iteration process was undertaken to find the best fit between the needs prioritized and the funding envelope, consisting of both own revenue and grant funding. As is almost always the case in any budget process, some priorities were identified that can not be funded in the 2017/18 financial year.

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These priorities and their related programmes/ projects are included in the medium term IDP for funding consideration once additional funding becomes available, currently or in the future years.

In all these public consultation and participation process, including internal prioritization and negotiation processes, the Mayor played an active oversight role over the IDP and Budget as required by Section 53(1)(a) of the MFMA, which states that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. Under the influence of the Mayor, engagements were also held over a number of days with the Councillors in the budget and prioritization processes. The table below is an extract of the key deadlines relating to the Budget and IDP processes as required by Section 21(1)(b) of the Municipal Finance Management Act, 2003:

MONTH	IDP	PMS	BUDGET
July	Print and distribute final approved IDP. Development of 2017/18 IDP Process Plan that guide the planning, adoption of the plan. Give notice to local community of particulars of the Process Plan.	Conclude annual performance agreements Print and distribute final approved SDBIP	Place approved annual budget and policies on the municipal Web site Print and distribute final approved budget Establish appropriate committees and consultation forums
August	Table to EXCO, council the IDP Process Plan for approval. Conduct stakeholder registration. Consider comments from various stakeholders during 2016/17 IDP Roadshows	Place annual performance agreements on the municipal website Development and submission of annual performance report	Table in council IDP, PMS and budget process plan

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September	Consider proposals received from MEC, if any.(IDP preparation process) Public consultation in terms of Tariffs, Indigent Credit, Credit Control and FBE. Public consultation in terms of CBP.		Implement process plan Commence community and stakeholder consultative process, review inputs, financial models, assess impacts on tariffs and change and consider funding decisions
October	Setting new strategic agenda for the IDP in light of the new focus of Council.	Develop and submit the 1 st Quarter Performance Report to Council and Coghsta	Consolidate community inputs on proposed tariffs.
November & December	Horizontal and vertical alignment with District, Province and other stakeholders begins.		Finalize inputs from bulk resource providers and agree on proposed price increase
January	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Development and consideration by Municipal Manager of the mid-year performance Report. Finalize, and publicize Mid-year report. Table the final 2015/2016 Annual Report to Council.	Note the president's "State of the Nation Address " for further budget priorities
February	Horizontal and vertical alignment with District, Province and other stakeholders continues. Departments identify projects/programmes.	Make the final 2015/2016 Annual Report public for comments.	Note National budget for provincial and national allocations to municipalities for incorporation into budget

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March	<p>Finalize Capital Investment Plan and Financial Plan.</p> <p>Tabling of final IDP & budgets before council.</p> <p>Publication of tabled final IDP, budget and invite local communities and stakeholders for comments and inputs.</p>	<p>Submit the final 2015/2016 Annual Report to MPAC.</p> <p>Submit the oversight report on the Annual Report to Council for approval.</p>	<p>Table in council the final IDP, annual budget and all supporting documentation</p> <p>Publicize the tabled final budget</p>
April	<p>Prepare and conduct IDP/Budget roadshows.</p>	<p>Prepare SDBIPs linked to IDP strategies, objectives, KPI's and targets.</p> <p>Develop and submit the 3rd Quarter Performance Report to Council and COGHSTA</p>	<p>Consultation on tabled final budget, publicize and conduct public hearing</p>
May	<p>Exco recommends adoption of the IDP to Council.</p> <p>Council sitting to approve IDP, and budget.</p>		<p>Consideration of community views and other stakeholders and revise budget if necessary</p> <p>Approval of annual budget, including taxes, tariffs and policies.</p>
June	<p>Submission of approved IDP to the COGHSTA and Provincial Treasury</p>	<p>Prepare final SDBIPs linked to IDP strategies, objectives, KPI's and targets.</p> <p>Submission of final SDBIPs and Annual PAs to Mayor. Mayor approves the SDBIPs</p>	<p>Submission of approved Budget to the COGHSTA, Provincial Treasury and National Treasury</p>

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2.1.2 The following policies were taken into account when developing the annual budget:

- The Rates Policy
- Credit Control and Debt Collection Bylaw
- Indigent Policy
- Tariff Policy
- Investment & Cash Management Policy
- Supply Chain Management Policy
- Asset Management Policy and Asset Management Procedure Manual
- Expenditure Management Policy & Procedure Manual
- Policy on Unauthorised, Irregular and Fruitless & Wasteful Expenditure

2.1.3 Community consultation process with communities and key stakeholders:

Section 22 of MFMA stipulates that immediately after the annual budget is tabled in a municipal council the accounting officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget; and submit the annual budget to National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA provides further that after considering all budget submissions, the council must allow the mayor an opportunity-

- (a) to respond to the submissions
- (b) if necessary, to revise the budget and table amendments for consideration by council.

The extensive consultations will take place during the fourth Representatives forum on the 19 May 2017. Stakeholders who will attend the meetings include ward committees, members of the community, Traditional Leaders, community, representatives from youth organizations, sector departments, mining houses and business.

The following provides an overview of the publication and public participation activities:

Councillors briefing sessions:

Councillors will be briefed during the middle of May 2017, before proposals are tabled to other stakeholders.

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Publication of the final budget:

The final notices will be published in local and national newspapers inviting the public to view and inspect the budget documents to enable them to submit inputs for the final budget. The final IDP/ Budget report will be available at the library, community halls, tribal offices, SDA's and the MPCC's.

Ward committees and traditional authorities, organized business and sector departments also participate in the IDP representative forum meetings.

Public hearing: The stakeholders will be given an opportunity to raise questions and comments on the progress made by council. Any written submissions received, will be handed to the Manager: Developmental Services at the end of the community consultation process. The Mayor will respond to those issues that are raised.

Main concerns and comments raised during the consultation process

After the community consultative processes, the concerns raised by the stakeholders on the following matters will be addressed through the final budget:

- LED
- Crime prevention
- Water and sanitation
- Roads and storm water
- Health and welfare
- Refuse and solid waste
- Housing
- Sports, arts and culture
- Community facilities
- Electricity
- Education
- Land and environmental management
- Transport
- Communication
- Institutional arrangements

The IDP, Budget and Mayoral roadshows will be conducted from 16 April 2017 to 30 April 2017.

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2.2 Overview of Alignment of Annual Budget and IDP

The IDP of the municipality must be reviewed annually in terms of section 34 of the MSA and section 21 of the MFMA.

2.2.1 Vision of the Municipality

The vision of Mogalakwena Municipality is ***to be the leading, sustainable and diversified economic hub focused on community needs.***

2.2.2 Details of proposed amendments to the Integrated Development Plan

New needs that emerged after June 2016 have been taken into account when compiling the final 2017/2018 IDP.

The draft 2017/18 IDP will be presented to council on 29 March 2017 as per the IDP, Budget and PMS process plan.

2.2.3 Revenue, operating expenditure and capital expenditure aligned to IDP

Developmental services together with Finance department initiated that the first priority must be allocated the higher percentage of funding.

The prioritization criteria and their respective weights for 2017/18 are as follows:

Source of funding	CRR	MSIG	MIG	DWA	WSIG	INEG
	%	%	%	%	%	%
Roads and storm water	40.9	0	25.5	0	0	0
Water and Sanitation	17.5	0	56.3	100	100	0
LED	0.004	0	4.5	0	0	0
Land and Cemeteries	1.7	0	0	0	0	0
Electricity	12.6	0	3.4	0	0	100
Waste Management	9.8	0	0	0	0	0
Other	17.5	100	10.3	0	0	0

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2.3 Measurable performance objectives and indicators

The measurable performance indicators and objectives for revenue and expenditure (both capital and operating) will be contained in the Service Delivery Budget Implementation Plan (SDBIP) of the municipality and of the Section 57 managers. The SDBIP will have to be designed such that it gives effect to the implementation of the budget, with quarterly performance targets. The SDBIP will be submitted to the Mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.4 Overview of budget-related policies

The municipality acknowledges that for the budget to be credible and balanced, it must be supported by policies that guide the revenue and expenditure estimates. To ensure this, the budget related policies have been reviewed to take the socio-economic realities of the communities into account when compiling the 2017/2018 draft budget.

2.4.1 Tariff Policy

The Tariff Policy is amended as follows:

Clause 10 on page 12 of the policy changes from reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2016”

to reading as follows:

“This Policy will be known as the Tariff Policy and shall commence on 01 July 2017”

The policy is attached as pages 467 to 479.

2.4.2 Rates Policy

The Rates Policy has been amended as follows:

10.3.3 Exemptions

- (aa) the joint income of that person and his/her spouse, if any, for the year ended 30 June may not exceed R 63 600 (sixty three thousand six hundred rand) per year or such higher amount as may be determined in the Municipality's budget;

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The amended Rates Policy is attached as pages 480 to 498.

2.4.3 Debt Collection and Credit Control Policy

The Debt Collection and Credit Control Policy has been amended as follows:

Clause 2.2.1 on page 9 of the policy changes from reading as follows:

“The initial payment for entering into the installment agreement be 20% of the outstanding account;”

to reading as follows:

“The initial payment for entering into the installment agreement be 10% of the outstanding account;”

Clause 2.2.3 on page 9 of the policy changes from reading as follows:

“The period in which arrear amounts be paid in installments must not exceed 36 months if the outstanding balance is above R20 000,00;”

to reading as follows:

“The period in which arrear amounts be paid in installments must not exceed 48 months if the outstanding balance is above R20 000,00;”

Clause 2.4 on page 10 of the policy changes from reading as follows:

“In exceptional cases the executive committee may, by resolution, deviate from the above-mentioned terms for the repayment of arrear debts.”

to reading as follows:

“In exceptional cases the Manager Corporate with the Chief Financial Officer may deviate from the above-mentioned terms for the repayment of arrear debts.”

The Debt Collection and Credit Control By-Law is attached as pages 499 to 509.

2.4.4 Indigent Policy

The Indigent Policy has been amended as follows:

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Clause 9 on page 5 of the policy changes from reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2016”

to reading as follows:

“The title of this policy is indigent policy and the commencement date is on the 01 July 2017”

The amended Indigent Policy is attached as pages 510 to 515.

2.4.5 Investment and Cash Management Policy

There are no amendments to the Investment and Cash Management Policy.

The policy is attached as pages 516 to 530.

2.4.6 Asset Management Policy

The Asset management Policy has been reviewed and amended in its entirety. The amendments are too numerous to document in this report.

The policy is attached as pages 531 to 584.

2.4.7 Asset Management Procedure Manual

The Asset Management Procedure Manual is amended as follows:

Section 4, paragraph one of the Asset Management Procedure Manual which read as:

“All assets are to be disposed of in four ways, for example:”

Has been amended and is now read as follows:

“All assets are to be disposed of in one of the following four ways, for example:”

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Section 4(6) of the Asset Management Procedure which read as:

“The Divisional head: Asset and Fleet Management and the Disposal Committee shall inspect all redundant items and provide recommendations to the management.

The Budget and Treasury Office shall table the item as per the recommendations of the Divisional manager: Asset and Fleet Management and the Disposal Committee for consideration.

Disposal Committee

The Disposal Committee has been established for disposals and will be responsible for the following:

- To be a central point for all requests to dispose of assets.*
- To evaluate all requests to dispose of assets.*
- To prepare a memorandum to the Municipal Manager indicating the status of the item and the proposed method for disposal.*
- To ensure that the asset disposal forms are signed by relevant parties (requesting official, Head of Department, Chairperson of the Disposal Committee, and the Municipal Manager)*
- To prepare an item for the management meeting, thereafter to the Executive Committee and to the Council.*
- The composition of the disposal committee is made up of the following officials:”*

Has been amended and is now read as follows:

“The Asset Disposal Committee shall inspect all redundant items and provide recommendations to the management.

The Budget and Treasury Office shall in a management meeting table the item as per the recommendations of the Asset Disposal Committee for consideration.

Asset Disposal Committee

The Asset Disposal Committee has been established and will be responsible for the following:

- To be a central point for all requests to dispose of assets.*
- To evaluate all requests to dispose of assets.*
- To prepare a memorandum to the management indicating the status of the item and the proposed method for disposal.*
- To ensure that the asset disposal forms are signed by relevant parties*
- To prepare an item for the management meeting, thereafter to the Executive Committee and to the Council.*
- The composition of the asset disposal committee is made up of the following positions:”*

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Section 6 of the Asset Management Procedure which read as:

“At the resignation of an employee the applicable Manager or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention. This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary (refer to section 5.4 Asset Clearance Form).”

Has been amended and is now read as follows:

“At the resignation of an employee the applicable Manager or his/her duly delegated representative must complete the Asset Clearance Form and forward it to the Human Resources Department for their further attention.

This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary.”

Section 8 of the Asset Management Procedure which read as:

“Budget and Treasury Office

Every head of department and where necessary his/her duly designated official shall:

- *Receive from the Budget and Treasury Office a detailed “outcome report” on the assets verification exercise.*
- *In consultation with the Chief Financial Officer, ensure that the asset register of the Council is balanced at least annually.*

Budget and Treasury Office (Asset and Fleet Management) will facilitate the annual verification of assets.”

Has been amended and is now read as follows:

“Budget and Treasury Office

Budget and Treasury Office (Asset and Fleet Management) will facilitate the annual verification of assets.

The reconciliation of assets shall be completed within seven working days of the verification.

Every head of department and where necessary his/her duly designated official shall:

- *Receive from the Budget and Treasury Office a detailed “outcome report” on the assets verification exercise.*

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- *Investigate discrepancies and provide report to Budget and Treasury Office within three working days of receipt of the outcome report.*
- *In consultation with the Chief Financial Officer, ensure that the asset register of the Council is balanced at least annually.”*

Section 9 of the Asset Management Procedure which read as:

“Every Head of Department shall be directly responsible for the physical safekeeping of any assets controlled or used by the department in question.

In exercising this responsibility, every Head of Department shall adhere to any written directives issued by the Municipal Manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality’s assets.

In addition, any visitors to a department should be accompanied by an employee of the department.”

Has been amended and is now read as follows:

Every Head of Department shall be directly accountable for the assets controlled or used by the department in question.

Every official shall be directly responsible for the physical safekeeping of any asset entrusted to him or her.

In exercising this responsibility, every Head of Department shall adhere to any written directives issued by the Municipal Manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality’s assets.

In addition, any visitors to a department should be accompanied by an employee of the department.

Section 11 of the Asset Management Procedure has the following clause added to it:

“The Chief Financial Officer shall, in consultation with the relevant Head of Department, ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the municipality is promptly reported in writing to management, Exco and Council.”

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The procedure manual is attached as pages 585 to 594.

2.4.8 Supply Chain Management Policy

The Supply Chain Management Policy has been reviewed and amended in its entirety. The amendments are too numerous to document in this report.

The policy is attached as pages 595 to 675.

2.4.9 Irregular, Fruitless and Wasteful Expenditure Policy

There are no amendments to the Irregular, fruitless and wasteful expenditure policy.

The policy is attached as pages 676 to 680.

2.4.10 Expenditure Policy and Procedure Manual

There are no amendments to the Expenditure Policy and Expenditure procedure manual.

The policy is attached as pages 681 to 689.

2.4.11 Virement policy

A new Virement Policy has been drafted for the Mogalakwena Municipality.

The policy is attached as pages 690 to 698.

2.4.12 Bad Debts Write off Policy

A new Bad Debts Write off Policy Policy has been drafted for the Mogalakwena Municipality.

The policy is attached as pages 699 to 716.

2.4.13 Virement, adjustment budgets, and unforeseen and unavoidable expenditure

The mid-year budget and performance review, coupled with the monthly budget statements are considered key documents to assist with the preparation of an adjustment budget and forthcoming budget.

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The 2017/18 medium term budget should only be amended by:

Departmental Managers authorizing offsetting operating budget variations within the votes delegated to them, essential allowing variations within the department budget 'groups' but not across budget groups. Therefore, for example, manager could transfer allocations within an expenditure group such as 'Employee costs'. It should be noted that each capital project also represents a vote requiring Council approval to amend.

A mid-year review by the Accounting Officer in accordance with the MFMA, due for completion by January, which would possibly culminate in an Adjustment Budget being presented to Council in the month following the review, if required.

An Adjustment Budget in accordance with the provision of section 28 of the MFMA brought to Council for approval in circumstances where extraordinary events require fundamental and urgent change to budget.

Section 28 of the MFMA, Act No. 56 of 2003 provides as follows:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustment budget-

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) may authorize the utilization of projected savings in one vote towards spending under another vote;*
- (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*

- (f) may correct any errors in the annual budget; and*
- (g) may provide for any other expenditure within a prescribed framework*
- (3) An adjustment budget must be in a prescribed form.*
- (4) Only the mayor may table an adjustment budget in the municipal council, but an adjustment budget in terms of section (2)(b) to (g) may only be tabled within any prescribed limitations as to timing frequency.*
- (5) When an adjustment budget is tabled, it must be accompanied by –*
 - (a) an explanation how the adjustment budget affects the annual budget;*
 - (b) a motivation of any material changes to the annual budget;*
 - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
 - (d) any other supporting documentation that may be prescribed.*
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) Sections 22(b), 23(b) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.”*

Unforeseen and Unavoidable Expenditure

Section 29 of the MFMA, Act No.56 of 2003 provides as follows:

“(1) The mayor of a municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure –

- (a) must be in accordance with any framework that may be prescribed,*
- (b) may not exceed a prescribed percentage of the approved annual budget,*

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(c) must be reported by the mayor to the municipal council at its next meeting, and

(d) must be appropriated in an adjustment budget.

(3) such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 applies.”

2.5 Overview of budget assumptions

2.5.1 Review of external factors

Population migration

Population migration has an impact on the provision of bulk services. As people move into various localities, they demand more services which the municipality did not plan for in advance, for example the demand for RDP houses and free basic services will increase as a result of migration into the municipality.

The expected growth of the population particularly in the Greater Mokopane area and the encompassing Peri-Urban Area is as follows:

Households in Greater Mokopane Area 2016	Expected Mokopane household by 2020	Households in Peri-Urban 2016	Expected Peri-Urban Households by 2020
23 000	24 150	35 100	38 610

Population Greater Mokopane Area 2016	Expected population mokopane by 2020	Population in Peri-Urban 2016	Expected population by 2020
115 000	120 750	175 500	193 050

Although migration from rural to urban areas is expected to a certain degree, the municipality has prepared a document called “State of Readiness” to accommodate the economic growth being brought about by the potential mining sector development. Various infrastructure development is already taking place as follows:

- Water Master plan sector plan - implementation stage
- Waste water master plan - implementation stage
- Road and stormwater master plan at 70% completion

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Employment

One of the key social problems facing the Mogalakwena Municipality is poverty. The unemployment rate in the Municipality is 40.2% of the economically active population (people between the ages of 15 and 64 years). Women, and especially rural women, form the greatest number affected by the lack of job opportunities as well as other social problems. Adding to the unemployment statistics is the increasing number of graduates unable to find employment. The internships offered by the government and private sectors only offer a temporary solution to the problem.

Development of Businesses

The following new business development areas have been approved by council:

- Ext 13 & 6 – Industrial sites are currently being sold
- Ext 13 (Erf 4794) – Site for a shopping complex has been approved by council. The municipality is currently scrutinizing proposals in order to select a developer. The rezoning will be done by the developer.
- Erf 4699 – Site approved by council for a motor dealership. The municipality is currently scrutinizing proposals in order to select a developer. The rezoning will be done by the developer.
- Portion 197 of 80 – PPR town and townlands 44ks: The municipality will call for proposals during the 2017/18 financial year to appoint a developer. The rezoning will be done by the developer.

New residential areas

The following new residential areas have been approved or proposed to council:

- Rebone Ext – 600 sites (farm Steilloop 403 LR) - still waiting for rural development to prepare a caretakership agreement for the farm Steilloop 403 LR with the municipality
- Ext 15 & Extension of Mahwelereng – Budget has now been allocated for the Replanning of the area. The municipality needs to advertise for the re-planning, land surveying and environmental impact assessment to be done.
- Sekgakgapeng – 600 Sites - Budget has been made available to complete the final demarcation.
- Sukces (Weenen) – 300 Sites (Awaiting budget allocation from Coghsta in order to proceed)
- Taueatsoala – 1000 Sites (Waiting for Coghsta to do the survey)
- Township establishment 21, 22, 23 (remaining Ext Macala, between Bargain, Ext 17, Zone B and C)

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- Ext 21 & 22 – Requested budget to be allocated in order to perform the Geotech investigation. Thereafter township establishment can proceed.
- Ext 23 – Awaiting Geotech investigation to be completed on Ext 21 & 22. Awaiting budget to be allocated for township establishment.
- Subdivision of Ext 14 – Budget has been requested in the 2017/18 for subdivision.

Bulk services still have to be provided to the approved areas and additional bulk services will be required if the proposed sites are approved by council.

2.5.2 General inflation outlook and its impact on municipal activities

The inflation rate of 7.1%, 5.9% and 5.8% were applied for the 2017/2018 to 2019/2020 financial years consecutively. This is an indication of the rising costs to provide services to the municipality and the municipality will have to look for better methods of cost-reduction and cost-recovery.

2.5.3 Interest rates for borrowing and investment of funds

The municipality has no borrowing obligations. The interest rate for investment of funds is higher than the previous year and this will increase the interest that the municipality generates on investments.

2.5.4 Timing of Revenue Collection

The municipality is expecting its revenue collection to improve as a debt collector has been appointed. Prepaid meters for Extension 19, 20 and Phola Park have been budgeted for through the Water Conservation and Demand Management. These projects are aimed at reducing the municipality's bad debts and improve revenue generation.

2.5.5 Growth or Decline in Tax Base of the Municipality

There was no significant growth in the tax base as the MPRA has been phased in. The valuation roll that is currently being used is from 01 July 2013 to 30 June 2017, the annual supplementary valuation roll is currently in process.

2.5.6 Collection Rates

The average collection rate for the past financial year was 71% but should be improved to be sustainable on the long-term.

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2.5.7 Price Movements

The municipality has received written confirmation from Lepelle-Northern Water and NERSA indicating price increases in the purchase price for bulk water and bulk electricity of 8.5% and 1.88% respectively.

2.5.8 Average salary increases

A 7.1% increase on salaries is budgeted as per the circular 85 from National Treasury

2.5.9 Industrial relations, climate reorganization and capacity building

The industrial sites that are currently being sold by the municipality will result in an expansion of the industrial area. If a significant number of the sites are sold, it will result in an enormous injection for the area in respect of services and job creation. We however need to conduct a land audit in order to determine which land belongs to the municipality and can be used to plan for an industrial park. Funds have been requested in the 2017/18 budget in order to conduct the land audit.

2.5.10 Trends in Demand for Free or Subsidized Basic Services

There is a growth 5.7% in the population which is having an effect on the households. Another factor that influences the increase in the demand for free or subsidized basic services is the migration of people into the municipal are. Anglo Platinum Mines is expanding and is currently in the process of purchasing land from the municipality in extension 14 in order to erect housing for their employees.

2.5.11 Changing Demand Characteristics

The demand for services exceeds available resources and the municipality therefore cannot meet all the needs of the communities at this stage. Some of the needs that cannot be met by the municipality in the 2017/2018 financial year have been included in the 2018/2019 and 2019/2020 financial years.

2.5.12 Trends in demand for Free or Subsidized Basic Services

Although the free basic electricity was phased out for non-indigent consumers in the 2010/11 financial year, this has not improved the municipality's affordability to provide services to all its consumers. All consumers will however continue to receive 6kl of free basic water in the 2017/2018 financial year.

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2.5.13 Impact of National, Provincial and Local Policies

The National Treasury Circular 51 (Section 3.3) indicated that the Department of Cooperative Governance and Traditional Affairs intended to introduce further amendments to the Municipal Property Rates Act to improve its implementation.

Mogalakwena municipality as a result, paid particular attention to ensuring that the property rates charges to key economic sectors, such as agriculture, mining and tourism remain affordable.

The municipality further prepared the budget with consideration of MFMA circulars and other policy imperatives.

2.5.14 Ability of the Municipality to Spend and Deliver on the Programme

Capital projects will be implemented from grant funding but there are insufficient funds available for adequate maintenance of infrastructure. This may have a negative impact on the infrastructure as it may deteriorate rapidly in the future.

During the 2015/16 financial year, R143 million was received from MIG, of which approximately 90% was spent. For 2016/17 80% has been spent thus far of the R 139 million allocated.

During the 2015/16 financial year, R120 million was initially received from RBIG, of which 100% was spent. A further 80% of the additional R200 million received was also spent. For the 2016/17 financial year 100% of the R140 million initially received has been spent and an additional R132 million has been allocated.

2.5.15 Implications of Restructuring and other Major Events into the Future

Job descriptions for the municipality are being reviewed and the process of job evaluation is in progress. The results of the job evaluation process will have financial implications on the 2017/2018 budget.

The municipality is not aware of any other restructuring and/or major events that will affect the municipality in the foreseeable future.

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2.6 Overview of budget funding

Section 18(1) of the MFMA requires the budget of a municipality to be funded from-

- (a) realistic anticipated revenue to be collected;
- (b) cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17(2) of the MFMA.

Section 18(2) of the MFMA requires the revenue projections in the budget to be realistic, taking into account-

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in the previous financial year.

This budget has been prepared taking into account the requirements of the abovementioned section. Revenue was estimated using a collection rate of 85% to billings. The capital budget was limited to the gazetted funding. An adjustment budget will be compiled for council consideration once more funding becomes available from either internal and/or external sources.

2.6.1 Investments

Investments held represent cash backed accumulated surpluses and the unspent conditional grants and receipts.

The Table below indicates the investment particulars by maturity as at 28 February 2017:

Institution	Investment	Monetary value
		'000
ABSA	Short term	0
FNB	Short term	0
Nedbank	Short term	150 000
Standard Bank	Short term	120 000
Total		270 000

The total amount invested externally as at 28 February 2017 amounts to R270 million which is R225 million less than the investments as at 28 February 2016.

The interest earned from these investments would be utilized to fund the operating budget. The capital replacement reserve is also backed by the investments.

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Supporting **Table SA 16** is attached as page 310.

2.6.2 Estimated debtors collection levels

A debtor's collection rate of 80% of levied amounts is estimated for the 2017/18 financial year.

2.6.3 Planned proceeds from sale of assets

The municipality developed 1 200 residential stands for resale in Extension 12. To date the municipality has sold 816 stands. 110 of the stands have been sold to the mine for the construction of a private hospital and an old age home.

2.6.4 Planned proceeds from lease of assets

Proceeds from rental of facilities and equipment are estimated at R1 215 243.

2.6.5 Planned use of bank overdrafts

Mogalakwena has no plans to utilize bank overdrafts in the 2017/18 financial year.

2.6.6 Use of previous year's cash backed accumulated surpluses

After the compilation of the 2016/17 financial statements, if there is any cash surpluses they will be addressed in the adjustment budget 2017/18.

2.7 Expenditure on allocations and grants programmes

Provision is made in the 2017/18 budget for the following statutory and reserve fund contributions:

- Capital Replacement Reserve : R 125 386 170
- Provision for bad debt reserve : R 39 784 000

Contributions in total amount to R 165 170 170 and this represents 18% of total operating expenditure. The working capital reserve makes provision for non-payment of services.

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Allocations and grants made by the municipality

The following allocations and grants are made by the municipality for 2017/18:

Assistance to indigents in distress	: R	200 000
Assistance to indigents deserving students	: R	150 000
Community development worker support	: R	39 318
Discretionary Fund Mayor	: R	720 000
Sport events	: R	0
Mayoral Special Programmes	: R	1 564 221
Free burials paupers indigent	: R	25 082
Free Basic Services for indigents - Water	: R	8 608 967
- Electricity	: R	5 236 460
- Sewer	: R	708 246
- Refuse	: R	1 393 567
- Assessment Rates	: R	1 958 098

2.8 Councillor and employee benefits

The following information with regard to the salary budget which forms part of the operating budget must be taken into consideration by council before approving the budget:

- Provision for a 7.1% increase was made for councilors and 7.1% for officials
No new positions are budgeted for in the 2017/2018 financial year and the budget is based on the beginning scale of the post level.

Disclosure of salaries and allowances and benefits is attached as supporting **Table SA 22 and 23** pages 316 to 318.

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2.9 Monthly targets for revenue, expenditure and cash flow

The disclosure on monthly targets for revenue, expenditure and cash flow is attached **Table SA 25 to SA 30** as pages 320 to 325.

2.10 Annual budgets and SDBIP

Section 53(1)(c)(ii) of the MFMA Indicates that the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

The SDBIP will be submitted to the mayor immediately after the budget has been approved. The time-frames as contained in Section 53(1)(c) of the MFMA will be complied with.

2.11 Contracts having future budgetary implications

Contracts having future budgetary implications are reflected in **table SA33** attached as page 328.

2.12 Capital expenditure details

A combination of grant funding and own funds will be used to fund the capital budget. The detailed draft capital budget over the 2017/18 MTREF is attached as pages 345 to 351.

.13 Legislation compliance status

This budget has been prepared in accordance with the requirements of the Municipal Finance Management Act, the Municipal Budget and Reporting Regulations and the Municipal Systems Act. The acting municipality has complied with the new budget format when compiling the 2017/18 to 2019/20 MTREF.

2.14 Other supporting documents

Circular 70, 72, 74, 78, 85 & 86 and Instruction 1 of 2013/2014 as issued by National Treasury are complied with in the preparation of the 2016/2017 to 2018/2019 budget. Circular 85 & 86, being the latest budget circulars are attached as pages 717 to 741.

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2.15 Municipal Manager's Quality Certificate

Quality certificate

I MM Molala, Acting Municipal Manager of Mogalakwena Municipality, hereby certify that the 2017/2018 draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the final budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : MM Molala

Acting Municipal Manager of: Mogalakwena Municipality (LIM367)

Signature : _____

Date : 27 March 2017